

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1424 – SB 1477**

February 16, 2016

**SUMMARY OF ORIGINAL BILL:** Reduces the fee for a lifetime handgun carry permit from \$500 to \$200.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue – \$7,279,400/Handgun Permit Division/FY16-17  
\$7,279,400/Handgun Permit Division/FY17-18  
\$7,279,400/Handgun Permit Division/FY18-19  
\$7,279,400/Handgun Permit Division/FY19-20

Decrease State Revenue -  
\$784,200/Handgun Permit Division/FY20-21 and Subsequent Years

Decrease State Expenditures-  
Exceeds \$163,700/Handgun Permit Division/FY20-21 and Subsequent Years

Other Fiscal Impact – Over the first four years there will be a cumulative increase of state revenue. Beginning in FY20-21, the state begins incurring a recurring reduction of revenue associated with fewer permit renewals, and the extent of reduced revenue will grow gradually over time. It is estimated that the cumulative amount of increased revenue realized in the first four years will be sufficient for covering all subsequent reductions in revenue until FY38-39, at which point the cumulative reductions in revenue will exceed the cumulative increased revenue realized in the first four years.

**SUMMARY OF AMENDMENT (012243):** Deletes all language after the enacting clause. Reduces the fee for a lifetime handgun carry permit from \$500 to \$315 for initial applicants and \$200 for existing handgun carry permit holders.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

Increase State Revenue – \$8,305,800/Handgun Permit Division/FY16-17  
\$8,305,800/Handgun Permit Division/FY17-18  
\$8,305,800/Handgun Permit Division/FY18-19  
\$8,305,800/Handgun Permit Division/FY19-20

**HB 1424 – SB 1477**

**Decrease State Revenue -**

**Exceeds \$782,700/Handgun Permit Division/FY20-21  
and Subsequent Years**

**Decrease State Expenditures-**

**Exceeds \$133,600/Handgun Permit Division/FY20-21  
and Subsequent Years**

**Other Fiscal Impact – Over the first four years there will be a cumulative increase of state revenue. Beginning in FY20-21, the state begins incurring a recurring reduction of revenue associated with fewer permit renewals, and the extent of reduced revenue will grow gradually over time. It is estimated that the cumulative amount of increased revenue realized in the first four years will be sufficient for covering all subsequent reductions in revenue until FY52-53, at which point the cumulative reductions in revenue will exceed the cumulative increased revenue realized in the first four years.**

Assumptions for the bill as amended:

- Based on information provided by the Department of Safety (DOS), most standard handgun carry permits (SHGCP) are currently on a four-year renewal cycle. The cost of a four-year initial SHGCP is \$115. The cost of a four-year renewal for a SHGCP is \$50.
- A five-year average of 54,019 initial SHGCPs are issued each year. A five-year average of 68,322 SHGCP renewals is issued each year.
- Public Chapter 281 of 2015 became effective July 1, 2015, authorizing lifetime handgun carry permits (LHGCP) at a cost of \$500 for initial applicants and renewal applicants.
- Due to the lack of historical data relative to the current LHGCP, an estimated 2,700 initial applicants and 1,300 renewal applicants will elect to purchase a LHGCP.
- Projected revenue relative to the current handgun carry permits is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and subsequent years
New Apps	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00
Renewals	\$3,351,100.00	\$3,351,100.00	\$3,351,100.00	\$3,351,100.00	\$3,216,100.00
Lifetime	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total	<u><b>\$11,252,785.00</b></u>	<u><b>\$11,252,785.00</b></u>	<u><b>\$11,252,785.00</b></u>	<u><b>\$11,252,785.00</b></u>	<u><b>\$11,117,785.00</b></u>

- Under the provisions of the bill, the LHGCP fee would become \$315 for initial applicants and \$200 for renewal applicants.

- Due to the lower price of the LHGCP under the provisions of the bill, it is reasonably assumed that 35 percent of all initial and 60 percent of all renewal applicants will choose the lifetime option.
- Projected revenue relative to the provisions of the bill as amended is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and subsequent years
New Apps	\$4,037,920.25	\$4,037,920.25	\$4,037,920.25	\$4,037,920.25	\$4,037,920.25
Renewals	\$1,366,440.00	\$1,366,440.00	\$1,366,440.00	\$1,366,440.00	\$341,610.00
Lifetime	\$14,154,234.75	\$14,154,234.75	\$14,154,234.75	\$14,154,234.75	\$5,955,594.75
Total	<b><u>\$19,558,595.00</u></b>	<b><u>\$19,558,595.00</u></b>	<b><u>\$19,558,595.00</u></b>	<b><u>\$19,558,595.00</u></b>	<b><u>\$10,335,125.00</u></b>

- The projected change in revenue comparing current law projections to estimated revenue under the provisions of the bill as amended is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and subsequent years
<b>HB1424 Total</b>	\$19,558,595.00	\$19,558,595.00	\$19,558,595.00	\$19,558,595.00	\$10,335,125.00
<b>Current Law</b>	\$11,252,785.00	\$11,252,785.00	\$11,252,785.00	\$11,252,785.00	\$11,117,785.00
<b>Total</b>	<b><u>\$8,305,810.00</u></b>	<b><u>\$8,305,810.00</u></b>	<b><u>\$8,305,810.00</u></b>	<b><u>\$8,305,810.00</u></b>	<b><u>-\$782,660.00</u></b>

- Overall volume for the Handgun Permit Division will not change for FY16-17 through FY19-20. Beginning in FY20-21 the Handgun Permit Division will begin to experience a lower volume of SHGCP renewals.
- A decrease in expenditures due to a lower volume of SHGCP renewals beginning in FY20-21 will occur. In FY20-21, an estimated 59,900 cards will not be required. The current vendor price per card is \$2.23. The recurring decrease in state expenditures is estimated to exceed \$133,577 (\$2.23 x 59,900 cards).
- A reduction in staffing requirements is expected at some undeterminable point in time. The reduced amount of staffing and the timing for such cannot be reasonably estimated.

- Calculations used in reaching these estimates have been omitted from this fiscal note for the purpose of brevity. However, these calculations are on file with Fiscal Review Committee staff and can be provided upon request.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/dwl